



## CITY OF LODI COUNCIL COMMUNICATION

**AGENDA TITLE:** Mid Year Review of 2007-08 Budget and Infrastructure Replacement Program

**MEETING DATE:** January 8, 2008

**PREPARED BY:** Jim Krueger, Deputy City Manager

**RECOMMENDED ACTION:** Receive presentation on 2007-08 Mid-year budget review and adjustments. Review infrastructure replacement program in relation to the available cash balances in the Water and Wastewater funds.

**BACKGROUND INFORMATION:** In anticipation of an item that will be on the council agenda on January 16, 2008, staff has prepared the attached power point presentation that highlights financial information for major city funds and shows the budget adjustments that will be proposed at that meeting.

The following are the primary elements that will be reviewed with the City Council at the meeting on January 8, 2008. The items are grouped by fund to allow for easy review and summarization.

### General Fund

#### **Projected Fund Balance at June 30, 2008 (without any proposed adjustments):**

The ending fund balance is projected to increase to \$5 million in comparison to the budgeted balance of \$3.5 million. The actual balance at June 30, 2007 was approximately \$5.2 million and will decrease slightly as a result of the revenues being less than expenditures. This is a net amount that reflects several items of revenue and expenditures. Fund balance projected at June 30, 2008 is \$4 million after the adjustments as proposed and explained below.

- Projected expenditure savings of \$1,000,000
  - Health Insurance, workers compensation and vacancies
- Revenue shortfall projected at \$1,175,000
  - Mostly due to property tax and sales tax dips from budgeted amounts

#### **Proposed Budget Adjustments:**

- Transfer to Vehicle Replacement Fund \$ 900,000, as part of change in budget policy. This is amount will allow for the Fund to achieve the recommended fund balance level (30% of replacement value) as of June 30, 2008.
- Transfer to Equipment Replacement Fund \$89,000 for failing radio equipment at Police Department. This will replenish the fund to a positive amount as of June 30, 2008.
- Public Works - Graffiti abatement \$40,000. This will restore the program to the Public Works Department.

APPROVED: \_\_\_\_\_  
Blair King, City Manager

**One-Time Adjustments:**

- Purchase of Fire Dispatch, Equipment \$190,000.
- New computer software for City Clerk to record and maintain cataloging system for \$50,000.
- Web cam in downtown \$10,000.
- These items will be funded with one time revenue from the Flag City connection \$250,000.

**Other Adjustments**

- Transfer from Parks Donations to Parks Budget \$11,875 for various small projects including riverbank repair at Lodi Lake.

**Electric Fund**

- Revenues projected to be higher than budget.
  - One time revenue from sale to Roseville of Combustion Turbine rights (\$3.25 million) and less than expected operating revenues (\$1.1 million less) make expected revenues higher than budgeted.
- Non-power operating costs (\$389,503 projected savings in expenditures).
- Net Bulk power costs - expected to be at budget level.

**Fund Balance** - Projected at June 30, 2008, \$8.63 million balance unreserved and unrestricted - up from budgeted \$7.1 million balance primarily due to sale to Roseville of Combustion Turbine rights.

**Wastewater Utility Fund**

- Revenues are expected to increase by \$17.3 million due to issuance of Wastewater Treatment Plant COPs.
- Expenditures are expected to increase by \$14.3 million due to construction of Phase 3 improvements to White Slough Wastewater Treatment Plant and major trunk line replacement. Proposed budget increase to include all Phase 3 expenditures and trunk line replacement.
- Fund Balance projected at June 30, 2008 an unreserved and unrestricted balance of \$8.6 million.
  - Unreserved target is 30% of capital assets and equals \$15 million
  - Cumulative amount collected and earmarked for Infrastructure Replacement Balance equals approximately \$11.3 million
  - Infrastructure replacement program needs to be balanced against unreserved target. Phase 3 and trunk line replacement are significant elements of the infrastructure replacement program

**Water Utility Fund**

- **Revenues** – Revenues are projected to increase by \$3.26 million due to PCE/TCE settlements.
- **Expenditures** – Expenditures are projected to increase by \$4.45 million due to PCE/TCE clean up and litigation.
- **Fund Balance** - Projected at June 30, 2008, \$558,639 balance unreserved and unrestricted.
  - Unreserved target is 30% of Capital Assets =s ~\$10 million
  - Cumulative amount collected and earmarked for Infrastructure Replacement Balance =s ~\$7.5 million
  - Infrastructure replacement program needs to be balanced against unreserved target. Replacement program is ongoing and will continue but not at level of infrastructure revenues as shown on utility bills

### **Vehicle Replacement Fund**

- **Revenues** - Revenues in this fund come from transfers made from General Fund departments that utilize vehicles. Revenues will be significantly enhanced by a proposed \$900,000 transfer from the General Fund.
- **Expenditures** – Expenditures will exceed budgeted amount by \$189,565. Fleet and equipment replacements will be made in accordance with amended policy to be proposed to City Council at January 16, 2008 Council meeting.
- **Fund Balance** – June 30, 2008 unreserved and unrestricted balance projected at \$2.55 million.

### **Self Insurance Fund**

- Revenues in this fund come from transfers made from all operating budgets.
- Claims experience in FY 2007-08 for workers compensation and general liability has been as expected and will continue to be reflected in expenditures that will be at or lower than the budget.
- The total cash balance is expected to approximate \$6 million at June 30, 2008. As a result of continued favorable claims experience, the cash balance is projected to increase by approximately \$667,873. This will bring the combined cash balance for workers compensation, general liability and other insurance to full funding at the 70% confidence level.

In addition to the financial elements already conveyed, there are several position changes that will be proposed as follows:

Proposed Position: **Assistant Planner.** The position was budgeted as a Transportation Technician. Rationale: Federal and state reporting requirements, including those associated with grants and other transportation-related regulations, have increased in number and scope. This requires the hiring of a more knowledgeable individual. Additionally, this position will manage several programs, such as the Disadvantaged Business Enterprise program. The position was budgeted at a level commensurate with an Assistant Planner level and therefore does not require any adjustment to the budget at this time.

Proposed Position: **Senior Building Inspector.** The position was budgeted as a Plan Check Engineer. Rationale: Fire plan check responsibilities are in the process of moving from the Fire Department to the Community Development Department. The move is better served if the currently open Plan Check Engineer position is titled Senior Building Inspector. This reclassification will result in a higher salary level but no budget adjustment is needed at this time.

New Position: **Code Improvement Officer - Supervisor**

Rationale: The Code Enforcement Department will be moving from Community Development to the Police Department. The individual who supervised that unit in Community Development will not be moving and therefore a supervising Code Improvement Officer to provide the technical and supervisory knowledge for that unit is required. This position was budgeted as a contract for services and will not result in any budget adjustment.

Respectfully submitted,

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James Krueger, Deputy City Manager

# **Fiscal Year 2007-08 Mid-Year Budget Presentation**

January 8, 2008

# General Fund Summary

## **6/30/08 Projected Fund Balance (without any proposed adjustments):**

- Fund Balance projected to be \$5 million compared to \$3.5 million budgeted amount. The balance at June 30, 2007 was \$5.2 million and will decrease slightly as a result of a net revenue shortfall and expenditure savings.
- Projected expenditure savings of \$1,000,000.
  - Health insurance, workers compensation and vacancies.
- Revenue shortfall projected at \$1,175,000.
  - Primarily due to Property Tax and Sales Tax dips from budgeted amounts.

## **Proposed Budget Adjustments:**

- Transfer to Vehicle Replacement Fund \$900,000 as part of change in budget policy.
- Transfer to Equipment Replacement Fund \$89,000 for failing radio equipment in Police Department.
- Graffiti abatement appropriation \$40,000 in Public Works Department.

**Projected 6/30/08 Fund Balance:** \$4 million (after above adjustment).

## General Fund Summary (continued)

### One time adjustments:

• Fire dispatch and equipment	\$190,000
• City Clerk minutes system	50,000
• Web cam in downtown	<u>10,000</u>
Offset by Flag City connection revenue	\$250,000

### Other Adjustments:

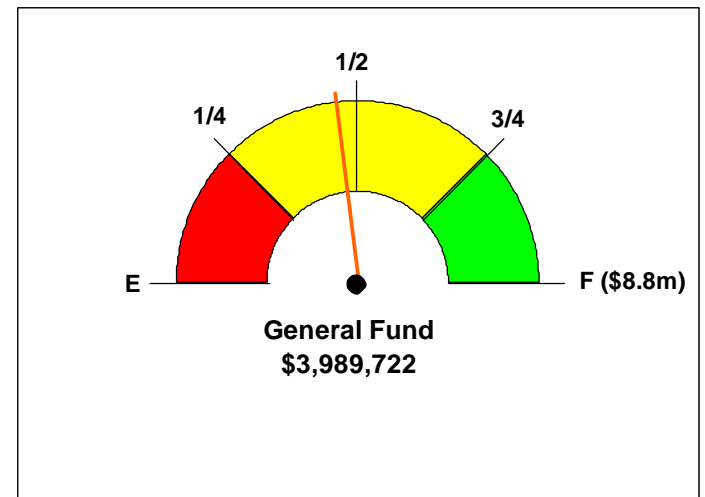
• Transfer from Parks Donations to Parks budget for various small projects including riverbank repair at Lodi Lake	\$ 11,875
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# Statement of Changes in Fund Balance

## For the Fiscal Year Ended June 30, 2008

With Actuals for Fiscal Year 2006-07 and Comparative Budget Fiscal Year 2007-08

		Audited 2006-07 Actuals	2007-08 Budget	2007-08 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
<b>General Fund</b>						
<b>Fund Balance (Net Assets)</b>						
<b>Beginning Fund Balance Unreserved</b>		3,048,435	3,500,000	5,175,522	1,675,522	
	Revenues	43,982,425	44,873,225	44,213,000	(660,225)	-1.5%
	Expenditures	41,855,338	44,873,225	45,398,800	525,575	1.2%
	<b>Net Difference</b>	2,127,087		(1,185,800)	(1,185,800)	
<b>Fund Balance (Net Assets)</b>						
<b>Ending Fund Balance Unreserved</b>		5,175,522	3,500,000	3,989,722	489,722	



# Electric Fund Summary

- Revenues projected to be higher than budget.
  - One time revenue from sale to Roseville of Combustion Turbine rights (\$3.25 million) and less than expected operating revenues (\$1.1 million less) make expected revenues higher than budgeted.
- Non-power operating costs (\$389,503 projected savings in expenditures).
- Net Bulk power costs: expected to be at budget level.
- Projected 6/30/08 Fund Balance: \$8.63 million unreserved and unrestricted - up from budgeted \$7.1 million, primarily due to sale to Roseville of Combustion Turbine rights.

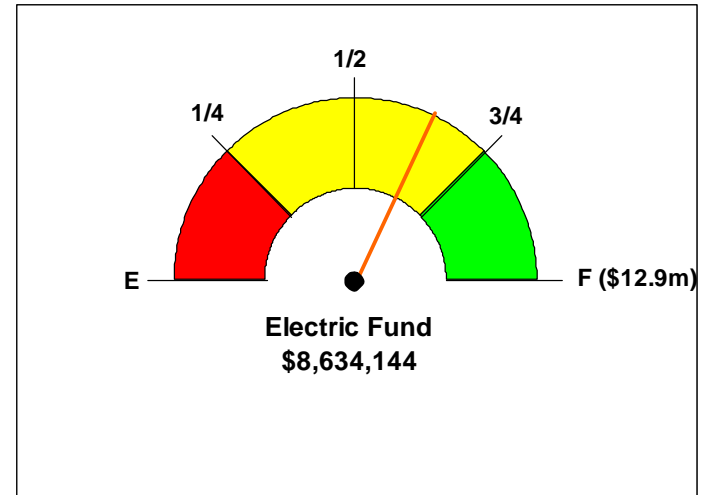


# Statement of Changes in Fund Balance

## For the Fiscal Year Ended June 30, 2008

With Actuals for Fiscal Year 2006-07 and Comparative Budget Fiscal Year 2007-08

		Audited 2006-07 Actuals	2007-08 Budget	2007-08 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
<b>Electric Fund</b>						
<u>Fund Balance (Cash)</u>						
Beginning Cash Unreserved		3,631,402	5,571,823	5,514,496	(57,327)	
	Receipts	66,953,853	77,282,257	79,427,776	2,145,519	2.7%
	Disbursements	65,070,759	75,454,770	76,308,128	853,358	1.1%
	<b>Net Difference</b>	1,883,094	1,827,487	3,119,648	1,292,161	
<u>Fund Balance (Cash)</u>						
Ending Cash Unreserved		5,514,496	7,099,310	8,634,144	1,534,834	



# Water Fund Summary

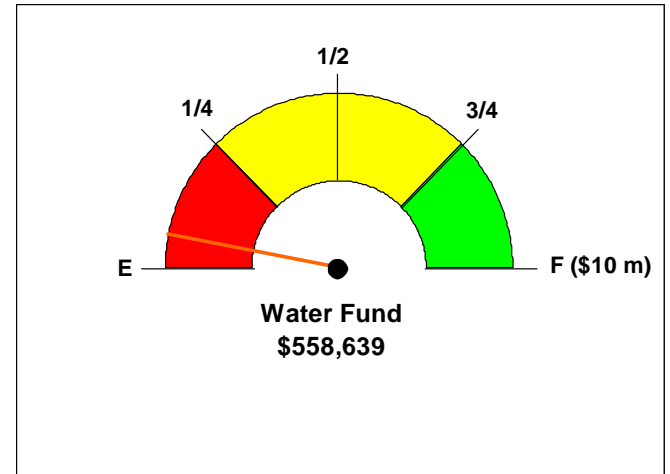
- **Revenues:** Revenues are projected to increase by \$3.26 million due to PCE/TCE settlements.
- **Expenditures:** Expenditures are projected to increase by \$4.45 million due to PCE/TCE clean up and litigation.
- **Projected 6/30/08 Fund Balance:** \$558,639 unreserved and unrestricted.
  - Unreserved target is 30% of Capital Assets =s ~\$10 million
  - The cumulative amount collected and earmarked for Infrastructure Replacement Balance =s ~\$7.5 million
  - Infrastructure replacement program needs to be balanced against unreserved target. Replacement program is ongoing and will continue but not at level of infrastructure revenues as shown on utility bills

# Statement of Changes in Fund Balance

## For the Fiscal Year Ended June 30, 2008

With Actuals for Fiscal Year 2006-07 and Comparative Budget Fiscal Year 2007-08

		Audited 2006-07 Actuals	2007-08 Budget	2007-08 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
<b>Water Fund</b>						
<u>Fund Balance (Cash)</u>						
Beginning Cash Unreserved		946,119	534,780	(475,262)	(1,010,042)	
	Cash receipts	11,420,093	18,963,700	22,227,677	3,263,977	14.7%
	Cash disbursements	12,841,474	16,740,528	21,193,776	4,453,248	21.0%
	<b>Net Difference</b>	(1,421,381)	2,223,172	1,033,901	(1,189,271)	
<u>Fund Balance (Cash)</u>						
Ending Cash Unreserved		(475,262)	2,757,952	558,639	(2,199,313)	



# Wastewater Utility Fund Summary

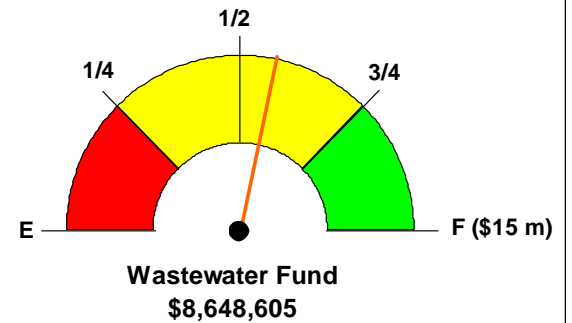
- **Revenues:** Revenues are expected to increase by \$17.3 million due to issuance of Wastewater Treatment Plant COPs.
- **Expenditures:** Expenditures are expected to increase by \$14.3 million due to construction of Phase 3 improvements to White Slough Wastewater Treatment Plant and major trunk line replacement. Proposed budget increase to include all Phase 3 expenditures and trunk line replacement.
- **Projected 6/30/08 Fund Balance:** \$8.6 million unreserved and unrestricted.
  - Unreserved target is 30% of Capital Assets =s ~\$15 million
  - The cumulative amount collected and earmarked for Infrastructure Replacement Balance =s ~\$11.3 million
  - Infrastructure replacement program needs to be balanced against unreserved target. Phase 3 and trunk line replacement are significant elements of the infrastructure replacement program.

# Statement of Changes in Fund Balance

## For the Fiscal Year Ended June 30, 2008

With Actuals for Fiscal Year 2006-07 and Comparative Budget Fiscal Year 2007-08

		Audited 2006-07 Actuals	2007-08 Budget	2007-08 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
<b>Wastewater Fund</b>						
<u>Fund Balance (Cash)</u>						
Beginning Cash Unreserved		1,866,805	1,757,400	4,956,069	3,198,669	
	Cash Receipts	11,445,320	39,066,024	56,377,800	17,311,776	30.7%
	Cash Disbursements	8,356,056	38,424,331	52,685,264	14,260,933	27.1%
	<b>Net Difference</b>	3,089,264	641,693	3,692,536	3,050,843	
<u>Fund Balance (Cash)</u>						
Ending Cash Unreserved		4,956,069	2,399,093	8,648,605	6,249,512	



# Vehicle Replacement Fund Summary

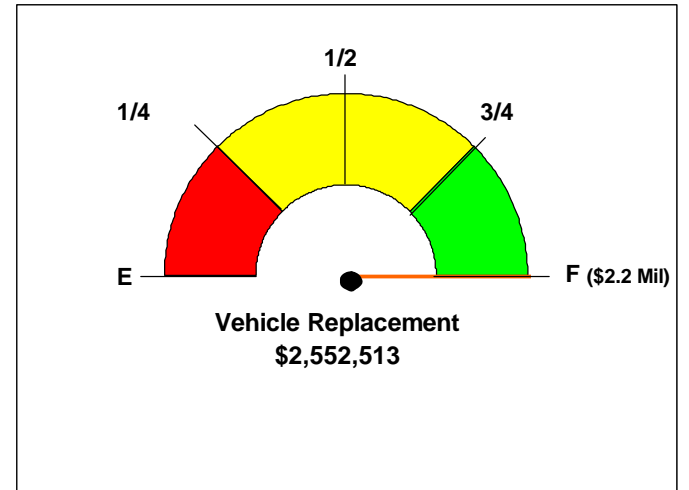
- **Revenues:** Revenues in this fund come from transfers made from General Fund departments that utilize vehicles. Revenues will be significantly enhanced by a proposed \$900,000 transfer from the General Fund.
- **Expenditures:** Expenditures will exceed budgeted amount by \$189,565. Fleet and equipment replacements will be made in accordance with amended policy to be proposed to City Council at January 16, 2008 Council meeting.
- **Projected 6/30/08 Fund Balance:** \$2.55 million unreserved and unrestricted.

# Statement of Changes in Fund Balance

## For the Fiscal Year Ended June 30, 2008

With Actuals for Fiscal Year 2006-07 and Comparative Budget Fiscal Year 2007-08

		Audited 2006-07 Actuals	2007-08 Budget	2007-08 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
<b>Vehicle &amp; Equipment Replacement Fund</b>						
<u>Fund Balance (Net Assets)</u>						
Beginning Fund Balance Unreserved		288,584	628,380	1,289,054	660,674	
	Revenues	1,342,707	790,230	1,803,835	1,013,605	56.2%
	Expenditures	342,237	350,811	540,376	189,565	35.1%
	<b>Net Difference</b>	1,000,470	439,419	1,263,459	824,040	
<u>Fund Balance (Net Assets)</u>						
Ending Fund Balance Unreserved		1,289,054	1,067,799	2,552,513	1,484,714	



# Self Insurance Summary

- **Revenues:** Revenues in this fund come from transfers made from all operating budgets.
- **Expenditures:** Claims experience in FY 2007-08 for workers compensation and general liability has been as expected.
- **Projected 6/30/08 Fund Balance:** Total cash balance expected to approximate \$6 million. The cash balance is projected to increase by approximately \$667,873 as a result of continued favorable claims experience. This will bring the combined cash balance for workers compensation, general liability and other insurance to full funding at the 70% confidence level.

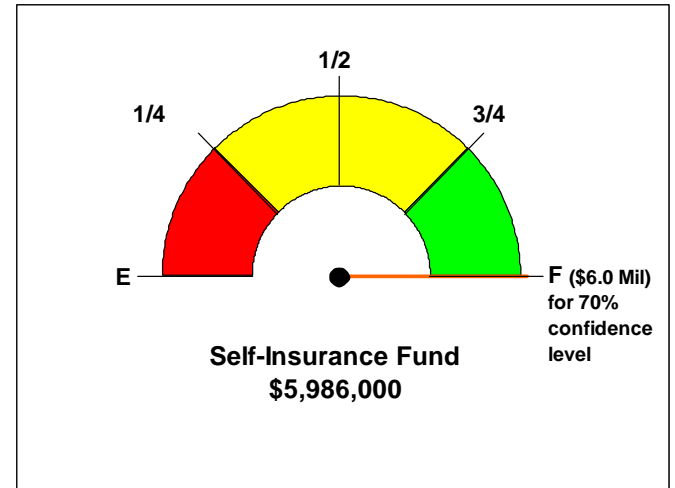


# Statement of Changes in Fund Balance

## For the Fiscal Year Ended June 30, 2008

With Actuals for Fiscal Year 2006-07 and Comparative Budget Fiscal Year 2007-08

		Audited 2006-07 Actuals	2007-08 Budget	2007-08 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
<b>Self Insurance Fund</b>						
<b>Fund Balance (Net Assets)</b>						
<b>Cash Balance</b>		4,133,154	4,305,670	5,318,127	1,012,457	
	Revenues	3,484,197	3,277,260	3,058,658	(218,602)	-7.1%
	Expenditures	2,299,224	2,949,147	2,390,785	(558,362)	-23.4%
	<b>Net Difference</b>	1,184,973	328,113	667,873	339,760	
<b>Fund Balance (Cash)</b>						
<b>Cash Balance</b>		5,318,127	4,633,783	5,986,000	1,352,217	



# Community Development Fund Summary

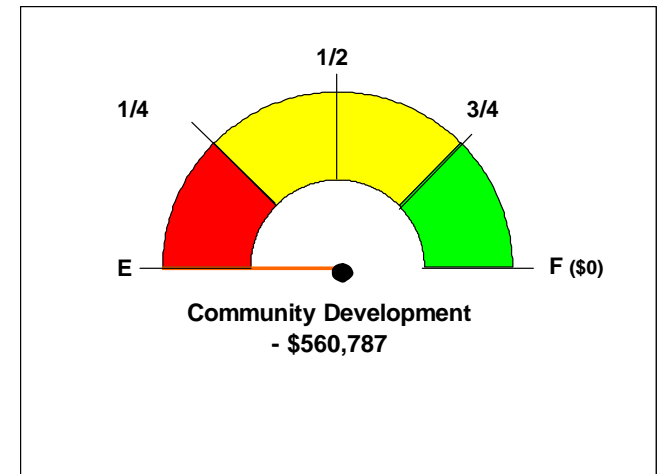
- **Revenues:** Revenues projected to be lower than budget.
  - The slowdown in building activity will result in a reduction of revenues (compared to budget) of \$500,000.
- **Expenditures:** As a result of vacancies, expenditures will be less than budgeted by approximately \$80,000.
- **Projected 6/30/08 Fund Balance:** is projected to be a cumulative deficit of (\$561,000).

# Statement of Changes in Fund Balance

## For the Fiscal Year Ended June 30, 2008

With Actuals for Fiscal Year 2006-07 and Comparative Budget Fiscal Year 2007-08

		Audited 2006-07 Actuals	2007-08 Budget	2007-08 Estimated Actuals	Budget to Est Actuals Variance \$	Budget to Est Actuals Variance %
<b>Community Development Fund</b>						
<u>Fund Balance (Net Assets)</u>						
Beginning Fund Balance Unreserved		68,692	1,661	(177,024)	(178,685)	
	Revenues	1,821,426	1,991,001	1,491,001	(500,000)	-33.5%
	Expenditures	<u>2,067,142</u>	<u>1,954,764</u>	<u>1,874,764</u>	<u>(80,000)</u>	-4.3%
	<b>Net Difference</b>	(245,716)	36,237	(383,763)	(420,000)	
<u>Fund Balance (Net Assets)</u>						
Ending Fund Balance Unreserved		(177,024)	37,898	(560,787)	(598,685)	



# Position Control

## **CITYWIDE – 458 Total Positions**

427 Filled

31 Recruitment in Process

# Position Control

## ADMINISTRATION – 51 Total Positions

### City Manager

4 Filled  
0 Recruitment in Process

### City Attorney

3 Filled  
0 Recruitment in Process

### City Clerk

4 Filled  
0 Recruitment in Process

### Human Resources

5 Filled  
0 Recruitment in Process

### Information Systems

8 Filled  
0 Recruitment in Process

### Finance

19 Filled  
0 Recruitment in Process

### Budget

5 Filled  
3 Recruitment in Process

# Position Control

## **POLICE – 120 Total Positions**

116 Filled

4 Recruitment in Process

# Position Control

## **FIRE – 64 Total Positions**

58 Filled

6 Recruitment in Process

# Position Control

## **ELECTRIC UTILITY – 47 Total Positions**

42 Filled

5 Recruitment in Process



# Position Control

## **PUBLIC WORKS – 108 Total Positions**

### **Administration**

3 Filled  
0 Recruitment in Process

### **Streets**

28 Filled  
1 Recruitment in Process

### **Transit**

1 Filled  
1 Recruitment in Process

### **Engineering**

17 Filled  
1 Recruitment in Process

### **Water/Wastewater**

36 Filled  
5 Recruitment in Process

### **Fleet and Facilities**

15 Filled  
0 Recruitment in Process

# Position Control

## **COMMUNITY DEVELOPMENT – 15 Total Positions**

14 Filled

1 Recruitment in Process

# Position Control

## **PARKS AND RECREATION – 30 Total Positions**

28 Filled

2 Recruitment in Process

# Position Control

## **LIBRARY – 14 Total Positions**

14 Filled

0 Recruitment in Process

# Position Control

## **COMMUNITY CENTER – 9 Total Positions**

7	Filled
2	Recruitment in Process